NOMINATIONS—AMTRAK

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF

GOVERNOR ROBERT D. ORR, CHARLES LUNA, AND ROSS E. ROWLAND, JR. FOR THE BOARD OF DIRECTORS, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

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NOMINATIONS—AMTRAK

TUESDAY, APRIL 13, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met, pursuant to notice, at 11:15 a.m. in room 235, Russell Senate Office Building, Hon. John C. Danforth (chairman of the Subcommittee on Surface Transportation) presiding.

Staff members assigned to this hearing: Anne M. Gavaghan, staff director; and Loretta L. Dunn, minority staff counsel.

Senator DANFORTH. We will now proceed to a hearing on the three nominees for the Board of Amtrak: Charles Luna, Gov. Robert Orr, and Ross Rowland.

Senator Lugar, we are delighted to have you with us.

STATEMENT OF HON. RICHARD LUGAR, U.S. SENATOR FROM INDIANA

Senator LUGAR. Mr. Chairman, I am pleased to introduce my good friend and fellow Hoosier, Gov. Robert D. Orr, who appears before the committee as President Reagan's gubernatorial nominee to the Amtrak Board of Directors.

I feel fortunate to have enjoyed a strong personal relationship with Governor Orr and to have worked closely with him throughout my years of public service. While I believe Bob Orr would be an asset to any advisory board I think that he is particularly well equipped to serve on Amtrak's Board of Directors. During his 8 years as Lieutenant Governor of the State of Indiana, Bob Orr directed the Indiana Commerce Department, which is deeply involved in transportation matters across our State.

Lying in the middle of the Nation's agricultural and industrial heartland, Indiana is a true transportation hub. Indeed, Indiana supports the intricate network of transportation modes, which includes extensive commercial waterway and highway systems, and a complete passenger railway service.

As Lieutenant Governor, Bob Orr oversaw all these transportation matters and directly participated in the activity of the Indiana Port Commission, sitting on its advisory board.

Having been named to the National Governors Association's Committee on Transportation, Commerce and Technology, Governor Orr continues his close association with transportation issues. Indeed, he serves as the chairman of the National Governors Association Rail Passenger Transportation Subcommittee. I think it is particularly appropriate that one with such a longstanding involve-

ment in transportation-related matters should be asked to serve on Amtrak's nine-member board.

Mr. Chairman, in this period of economic distress, we in Congress are faced with a difficult challenge. We must hold down Federal spending while maintaining an adequate level of governmental services. Nowhere is this challenge more acute than with Amtrak, where we are striving to maintain a truly national rail passenger service while keeping the lid on the corporation's operating and capital expenses.

I believe that Gov. Robert D. Orr will provide the leadership necessary to meet this challenge and will help shepherd Amtrak through whatever difficulties may lie ahead.

It is with great pleasure and honor that I introduce to you, Mr. Chairman, the Governor of the State of Indiana, Robert D. Orr.

Senator DANFORTH. Senator Lugar, thank you very much for your high praise. Governor, would you like to lead off?

STATEMENTS OF HON. ROBERT D. ORR, GOVERNOR, STATE OF INDIANA; CHARLES LUNA; AND ROSS F. ROWLAND, JR.

Governor ORR. Thank you, Mr. Chairman, and Senator Lugar, thank you for your appearance here and for your words of welcome. I appreciate greatly your support for this particular role.

I will be brief. In addition to what Senator Lugar outlined, I have been a businessman most of my life, before becoming involved in governmental service, and in such capacity served on a number of boards. So I am somewhat familiar with the kinds of policy decisions that are necessary in board service and the requirement of having the necessary degree of information about the operation of that business to be capable of providing the necessary answers and the necessary degree of backing and support to the operation of that enterprise.

I am also mindful of the period that Amtrak is now in, where they have behind them the period of recovering from the great difficulties that passenger rail service had in this country up to the time that Amtrak was created. I am mindful of the great strides that Amtrak has made in the last 10 years.

I believe that this is a time that is most appropriate indeed for the Governors of this country to have an opportunity for input into its affairs. I recognize that I will represent, if confirmed, the Governors of the land, at least 40 of which have a genuine concern in the future of Amtrak, Governors of States which have substantial trackage, substantial service, substantial capital investment of one kind or another in Amtrak. It would be my obvious purpose, therefore, to serve as a conduit of information to the Board, as well as a communicative linkage with the Governors of the land and the National Governors Association.

I look upon this as an opportunity to be of service to all of those who are represented, as well as to endeavor in every way possible to make Amtrak a truly significant transportation entity. It should fulfill an important purpose over the years ahead as a means of transportation of people.

[The biographical sketch, answers to questions of the committee, and the statement of Senator Quayle follow:]

Biographical Sketch of Gov. Robert D. Orr

Robert D. Orr (Republican), of Evansville, Indiana, was born November 17, 1917. He was graduated in 1940 from Yale University, earning an A.B. degree in American History, and attended the Harvard Graduate School of Business. In the U.S. Army during World War II, the Governor served in the Pacific theater of operations, rose from private to major and received the Legion of Merit. He has been involved in Indiana Republican politics more than 30 years, serving as a precinct committeeman, convention delegate and Vanderburgh County Republican chairman. His first elective office was as a member and as chairman of the Center Township Advisory Board in Vanderburgh County. Elected as a member of the Indiana State Senate, in 1968, he served four years in that body before he was nominated and elected as lieutenant governor of Indiana in 1972. In that role, he served eight years as director of the Indiana Department of Commerce, commissioner of agriculture and president of the Senate. He was elected governor of Indiana by a record margin in 1980. A businessman and industrialist most of his life, Governor Orr is a former chairman of Indian Industries Inc. of Evansville, manufacturer of recreational products. Married, three children, Presbyterian.

Inaugurated January 1981. Term will expire January 1985.

CHRONOLOGICAL PROFILE

Currently—Governor of the State of Indiana. Elected on Nov. 4, 1980 with a plurality of 344,000 votes, the largest ever in a gubernatorial election. Inaugurated Jan. 12, 1981, as Indiana's 45th chief executive officer. As governor, responsible for 120 departments and agencies, which have 26,849 employees providing services for the state's five and a half million citizens.

1973–80—Indiana's lieutenant governor. Elected in 1972 and 1976 by record margins. As lieutenant governor, Orr served as director of the Indiana Departrment of Commerce and Commissioner of Agriculture. He served a term as chairman of the National Conference of Lieutenant Governors. He has been awarded honorary degrees from Butler University, Hanover College and Indiana State University.

1962–73—Chairman of Indian Industries, Inc., a manufacturer of recreational products in Evansville. Orr also served on the boards of Orr Iron Company, distributors of steel, industrial supplies, agricultural equipment; Sign Crafters, Inc., manufacturer of illuminated signs; Hahn, Inc., manufacturer of agricultural, yard and garden equipment; Sterling Brewers, Inc.; Erie Corporation, shopping center development and management; Factory Development Corporation, industrial development; Evansville Metal Products, Inc., contract metal fabrication; Product Acceptance and Research, Inc., marketing research—all in Evansville; and Dixson, Inc., Grand Junction, Colorado, manufacturer of electronic instruments and cultured quartz.

1968–72—State Senator representing Vanderburgh and Posey counties.

1965–71—Republican County Chairman in Vanderburgh County, Indiana.

1962–70—Director, Indiana Manufacturers Association.

1957–62—Vice President, Evansville's Future, Inc.

1950–54—Served as member and chairman of the Center Township Advisory Board in Vanderburgh County—Orr's first elected office.

1953—Received Evansville Jaycee Distinguished Service Award.

Various dates—Trustee for Evansville's historical Willard Library, Evansville YMCA, Hanover College, Deacon and Elder of First Presbyterian Church, Director and President of Buffalo Trace Council, Boy Scouts.

1954–62—Republican precinct committeeman.

1944—Married the former Joanne (Josie) Wallace. The Orrs have three children, Robert D. Orr, Jr., and twin daughters Robbins O. Hail and Susan O. Dunn. They also have four grandchildren.

1942–46—Served in the U.S. Army during World War II in the Pacific Theater, rising from the rank of private to major and earning the Legion of Merit medal.

1940–42—Attended Harvard Graduate Business School.

1940—Received B.A. degree in American History from Yale University.

Questions of the Committee and the Answers Thereto

Question 1. Why do you think you are qualified to serve as a member of Amtrak's Board of Directors?

Answer. My experience in both government and the private sector lends itself to making a meaningful contribution to the operations of the National Railroad Passenger Corporation.

I have served on several corporate boards and can bring this business experience to bear upon the operations and planning of Amtrak at a time in which it is seeking to become more "businesslike" and to exploit opportunities for profit-making ventures and joint ventures with the private sector. As lieutenant governor of Indiana for eight years I supervised the state's economic development programs, worked closely with private sector industrial and commercial development ventures on a daily basis, and was required by the nature of my job to maintain a working knowledge of business and economic trends and realities.

Therefore, my experience allows me to bring two distinct perspectives to the board's deliberations—background in the private sector and a sensitivity to public issues. I believe that these twin vantage points will be particularly valuable to the board.

Question 2. You were nominated as a representative of the Governor of the States. What influence do you think this will have on your dealings as an Amtrak Board member?

Answer. Amtrak is looking to the states as potential partners in its future development programs. As a governor, I believe that I can provide constructive advice with respect to the feasibility of Amtrak-state government ventures when consideration is in its early stages. As vice-chairman of the National Governor's Association committee which supervises transportation issues, I am in a position to be a two-way conduit between the governors and the board.

Amtrak operates both an extensive route network and a major maintenance facility in my state. As a result, I have had the opportunity to become familiar with a number of passenger service issues which affect the corporation and the public that it serves.

One of my objectives is to strengthen the communication between the states and Amtrak in a way that may lead to more fruitful developmental activities.

Question 3. As an Amtrak Board member, what would you hope to accomplish?

Answer. It is important that Amtrak continue to press for a more favorable ratio of revenues to expenses. Progress is being achieved in this regard and I believe that it is important not to let up.

There seem to be a number of opportunities for appropriate transportation-related ventures which have the potential to strengthen the corporation's financial position. It is my belief that we should move quickly to identify them and put them in place. To use an example from my own state, the Amtrak maintanance facility at Beech Grove would appear to have the potential for profitable spin-off activities, while continuing to meet the corporation's maintenance requirements.

There are other considerations inspired by the following question and, to avoid repetition, I will expand more fully upon them in my response to it.

Question 4. What do you see as Amtrak's top priorities this year and next?

Answer. There are several priorities of roughly equal rank.

First, continue the management and operating improvements that are strengthening the corporation's revenue-to-expense ratio.

Second, strive for better performance in the quality of service–especially in Amtrak's marketing strategy and in the reservations/ticketing function.

Third, attempt to identify the most promising opportunities for supplemental profit centers and begin to put them in place.

Fourth, establish a policy with respect to the feasibility of the corporation's "emerging corridors" concept, to include the appropriate role for Amtrak, state and local governments, and private sector funding sources.

Fifth, come to a better definition of what Americans want their rail passenger system to achieve.

With regard to this fifth priority, it is fair to say that the objective of the rail passenger service legislation which created Amtrak was that of preserving a skeletonized rail system that it inherited in 1971. The corporation has compiled a fairly impressive record in this regard. In my opinion, it is time to take a fresh look at some of the most fundamental policy questions: What is the desirable and practical role of Amtrak service in the nation's transportation system? What are the implications for intercity rail passenger service in light of a changing attitude with respect to regulatory and operating environments involving the other passenger-carrying modes and with regard to existing and future governmental financial assistance to other modes?

If we can resolve upon a sensible long-term definition of what Amtrak is supposed to represent as a part of our national transportation system, we can plan and

budget more effectively and perhaps set the stage for more private-sector participation in the future of rail passenger service.

Question 5. One of the goals established by the Amtrak Improvement Act of 1981 was to encourage State, regional and local governments to share the costs of operating rail passenger service, including the costs of operating stations. What do you think Amtrak is doing to should be doing to ensure that this goal is met?

Answer. I share the attitude of Congress in calling for the encouragement of a more broadly-based cost-sharing for functions such as station costs. The application of this philosophy to station operations can have beneficial consequences.

Given the wide variations in the density of Amtrak operations at the stations it serves, it is difficult to come up with a uniform nationwide standard of the most common-sense operating plan for its facilities. At the same time, however, I do not believe that we have even begun to exploit the opportunities for joint development of terminal facilities—either in concert with other transportation providers or in connection with commercial development.

Local governments, state and local economic development authorities, and other agencies of these types may be in a position to do a better job than Amtrak ever could hope to achieve in terms of enhancing station's potential as commercial/transportation centers, of reducing overhead through diversification, and in furthering the revitalization of urban areas. I have not yet had the opportunity to examine the situation at the level of detail required to enable me to make specific recommendations as to how this process should work. At this point, I can only say that I see the opportunity to relieve Amtrak of some burdensome costs, while at the same time making these facilities more significant assets—both to Amtrak and to the communities in which they are located.

Question 6. Last year Congress exempted Amtrak from paying most state and local taxes. One of the reasons for this was that it was viewed as inappropriate for state and local governments to tax what is primarily a Federal investment. A second reason was that such taxes eroded Amtrak's financial position to detriment of all concerned, including the taxing entities. Amtrak management is seeking a similar exemption for the coming fiscal year. As a member of the Board, will you support management's position on this issue? If not, why not? How else would you meet Congress' concerns?

Answer. The ultimate answer to this question will depend in part upon what finally emerges as a consensus regarding Amtrak's long-term role as a transportation provider and of the scale of its dependence upon public funding.

Given the current scale of public funding, a reasonable case can be made for continuing the tax exemption in some form. However, I believe that it should include a limiting formula to deal with those situations in which the exemption produces a abnormal hardship upon the locality in which a major Amtrak facility is located. I am aware of at least one case in which Amtrak is by far the largest property taxpayer in a very small city, and a blanket exemption works a special hardship upon the local government revenue base.

Furthermore, as we enter a phase in which the corporation intends to pursue a series of private sector ventures related to its transportation functions, it may not be appropriate to grant across-the-board exemptions for these enterprises. In time, I would hope that Amtrak's success in achieving greater financial independence would put it much closer to the model of a private sector corporation. One of the obligations of private corporations is the payment of taxes.

As I understand the specific decision facing the Congress, it is really a choice of continuing the present exemption—which truly is not an exemption, but a deferral of obligations—or of inaugurating an outright forgiveness of current and past liabilities and making that a permanent situation. At todays level of federal funding an exemption seems warranted. This may not be as easily justified in future years.

Question 7. Last October, Amtrak stopped operating the Cardinal after it determined that the train would not meet statutory criteria established to govern the performance of all trains. In November, Congress reversed this action in a close vote, and directed Amtrak to start operating the train again. This was the first time that Congress directed the operation of a named train in this fashion. As a Board member, how would you view future directives by Congress to operate the Cardinal or other trains, which fail to meet basic performance criteria? What effect do you think such directives have a Amtrak's ability to operate like other businesses?

Answer. As government officials we invite criticism if we make exceptions to our own rules. Congressionally-mandated operations make it more difficult to manage the corporation and may deter the private sector from committing to future joint ventures of financing. As a general rule, I do not believe that Congress should depart from its own standards.

Question 8. Are there areas, such as food and beverage service, where you think Amtrak should be permitted greater flexibility in running its business?

Answer. Congress reacted—with considerable justification I might add—to a situation in which food and beverage service deficits had gotten out of hand. Few would quarrel with the need to keep these costs under better control. Having said that, I am of the opinion that the corporation is entitled to a degree of flexibility.

This very issue of food and beverage service illustrates its value. Food and beverage service—especially in medium-length and long-haul operations—represents a tangible marketing advantage for Amtrak, especially when compared to intercity bus operations. In the process of downgrading the quality of food service—which admittedly occurred as a result of this requirement—we may have diluted some of the overall market appeal of rail travel.

There must be a point at which restrictions upon deficits for services of this type take on the form of false economies. There is no doubt that deficits had become unacceptable, but we must not consider whether or not the pendulum moved so far as to hurt the overall marketability of Amtrak. The key point would seem to be whether or not we have sufficient confidence in the corporation's management to be assured that it will seek the proper balance.

Minority Questions and the Answers Thereto

Question 1. In determining Amtrak's future funding, Congress last year debated at length the issue of retaining a national rail passenger network. With the passage of the Amtrak Improvement Act of 1981, Congress reaffirmed its commitment to such a system. If confirmed as an Amtrak Board Member, how would you view your role in ensuring that such a commitment is carried out? what are you views toward Amtrak as an integral part of our transportation network?

Answer. I believe that Amtrak makes sense as an integral part of the nation's transportation network. A good deal of additional thought should be given to our long-term objectives for its "fit" into that network.

The best way to carry out the Congressional commitment is to establish more precisely where Amtrak can make the most economically-favorable and socially-favorable contributions to intercity passenger transportation, to strengthen its financial situation, and to put it on a predictable long-term basis. Long term planning should address the nature of its route system, the extent to which it can achieve revenue from transportation and subsidiary functions, and the appropriate level of public support—especially in light of the public support that may be available to other modes.

In my judgment, the best way to carry the commitment forward is to give Amtrak a sense of its long-range niche in intercity transportation operations. That will enable the corporation to make more efficient capital investments and will at least open the possibility of private sector participation.

Question 2. Just recently Amtrak provided Congress with a performance evaluation report on its operations during fiscal year 1981. This evaluation sets forth important improvements which Amtrak has made in its business performance and the quality of its service, and also the efforts which Amtrak is undertaking in response to the mandates included in the Amtrak Improvement Act of 1981, the most important of which is the attainment of a 50 percent revenue-to-cost ratio in fiscal year 1982. What are you thoughts on how Amtrak can continue this positive trend and ensure attainment of these goals?

Answer. In my opinion, Amtrak's management has developed a workable overall strategy for achieving its performance goals. The challenge before us now is to fine-tune that strategy to carry it forward most effectively.

I believe that the current philosophy is sound; it is a question of executing it in a way that produces the most favorable results. One particular area of concern is that of improving the corporation's performance in customer relations—especially with regard to ticketing and reservations. Over the long term, increasing the density of its operations in those selective markets which have the greatest ridership potential could make a major contribution to improving its balance sheet.

Question 3. The Amtrak legislation passed last year directed Amtrak to use its best business judgment in reducing its Federal subsidy. In this regard, Amtrak is pursuing certain efforts in the area of corporate development so as to increase revenues. How do you view the potential of these efforts? Are there other possible revenue-diversification activities which could be undertaken?

Answer. To the extent that I am aware of individual projects under consideration, the diversification policy seems to be a sensible one. It is quite possible that they offer the most promising basis for private sector financing. This is one category in

which I believe that my experience in business development can be of service to the Board. (My answers to Question 3, 4 & 5 from the majority amplify my views in this connection.)

Question 4. As a part of the discussion of Amtrak's future during last session, much attention was focused on its route configuration, and particularly on the cost and efficiency of long-distance trains. In this regard, the Conference Report accompanying the Amtrak Improvement Act of 1981 specifically states the importance of these routes as an integral part of the Amtrak system. What are your thoughts on this subject? If confirmed as a Board Member, would you pursue any specific ideas for restructuring Amtrak's routes?

Answer. If Amtrak is to be a national rail system, it must retain at least a skeletonized system of long-distance trains. At the present time, I do not believe that I have sufficient information to make any judgments concerning restructuring of these routes.

In other responses I have alluded to the need for a more precise definition of the role that Amtrak is to occupy as part of a national transportation system. Certainly, the extent and configuration of its long-distance routes will be one of the ingredients of this determination.

Question 5. Interest has been shown in the development of high-speed rail passenger corridors, and to date several studies have been conducted on this issue. The Amtrak Improvement Act of 1981 requires that Amtrak report to Congress by June 1 of this year on specific corridors to be developed and on a financial plan for such development. To what extent to do believe that this corridor concept should be pursued? How would you propose to integrate such corridors with the current Amtrak route structure? Do you have any ideas on funding mechanisms which could be explored?

Answer. In light of the research that has been conducted to date, the corridor concept represents what may be the corporation's best opportunity to increase the density of its system and thereby improve its economic performance. One major decision facing the corporation in this regard is that of determining whether to exploit these markets with what amount to conventional-type trains or whether to opt for a new generation of high-speed trains. I would need the benefit of financial and marketing studies before I would be in a position to make a personal choice.

Amtrak may or may not be able to significantly increase its market shares in these corridors with conventional equipment. Amtrak may or may not be able to finance the capital requirements of a new generation of high-speed trains. The corporation's recent action to create a high-speed rail subsidiary would appear to be a constructive first step toward helping arrive at the most reasonable conclusion.

Question 6. Amtrak is currently participating in labor negotiations as part of its effort to realize significant operational savings, as directed by the Amtrak legislation passed last year. Are there certain areas in which you believe changes should be made with respect to labor, and if so, how would you propose to achieve these changes?

Answer. I do not yet have the necessary information to make specific recommendations with regard to changes in labor agreements. I have long held to the belief that the collective bargaining process should be utilized to the fullest in making any adjustments. In recent years we have observed some very creative and forward-looking breakthroughs with regard to management-labor relations in the rail industry generally, and I am confident that the climate exists for mutually beneficial arrangements with regard to the corporation and its labor organizations.

Question 7. The Administration has proposed a fiscal year 1983 budget for Amtrak significantly below the authorization level approved by Congress in the Amtrak Improvement Act of 1981, which is the amount being requested by Amtrak. A major area of disagreement between the Administration and Amtrak on funding appears to be with respect to the capital program. Amtrak seeks a higher level of funding for this area, particularly for certain maintenance projects and for station improvement, which Amtrak believes are important to its future. What capital program would you envision as being appropriate? Are there capital projects which you would like to see pursued or not pursued? In particular, what is your view toward station improvements, which Amtrak hopes would involve state and local funding?

Answer. As I understand it, the administration proposes to limit capital investment projects to a level that will meet certain statutory requirements, address safety issues, and maintain operating conditions at their existing levels. The corporation has proposed a number of additional capital projects which are designed to be investments that will pay off in terms of greater operating efficiency and enhanced ridership appeal.

Obviously, investments in the future are desirable. Capital projects such as the ones the corporation is proposing may hasten the process of improving its revenue to expense ratio. However, Amtrak improvements represent only one category of worthwhile proposal which must be considered in terms of the overall need to control the federal budget.

Given the realities of our financial resources, it may not be possible to go beyond the administration's recommendations.

Before I can fully respond to the question, I would need the benefit of an examination of these individual capital improvement projects. Some may provide economic benefits that are so direct and immediate that it may be false economy not to pursue them. With regard to station improvements, I would like to have a better understanding of the potential for private sector commercial development and the specific goals for state and local participation before I could place them on a rating scale.

Question 8. The Administration also has recommended that the states fund the total costs associated with the operation of train service under Section 403(b) of the Rail Passenger Service Act, the so-called state-supported service, and also the costs of operating the so-called "sunset" commuter trains. What is your view of this proposal? What should be the appropriate state and local contribution to rail passenger service?

Answer. I am not yet in a position to pass judgment as to a funding formula for state-supported services. Indeed, the outcome of the corporation's analysis of corridor service potential—which would embrace many of the 403(b) routes—may suggest an entirely different approach to the funding of both operations and capital investments. Additionally, I am mindful that this subject is of special interest to several governors and that any position I ultimately take on this issue should be reflective of my colleagues' viewpoints and not merely my own.

Question 9. The Amtrak Improvement Act of 1981 encouraged non-Federal funding of rail passenger service. Given your experience as Governor of Indiana, how would you pursue this directive if confirmed as a Board Member? What steps would you recommend taking to encourage state and local funding?

Answer. Non-Federal funding suggests the opportunity for funding from other levels of government or from the private sector. In my opinion, we have the likelihood of blending a number of these sources.

Actions already taken by Congress suggest a role for state and localities in station expenses and other categories of this nature. Amtrak's own endeavors are leading to the possibility of jointly operated facilities—such as the Northeast Corridor fiber optic communications proposal—and the involvement of the private sector in the development of high-speed rail corridors.

It is in the area of corridor development that the most effective joint opportunities may prove most feasible, because they represent visible and meaningful development enterprises of direct benefit to individual communities and states. The acceptance of the 403(b) program further gives testimony to the potential receptivity for undertakings of this type.

Question 10. As Governor, you have undoubtedly dealt with tough issues relating to economic development of local areas. What has been your experience with respect to the role of transportation in such development? In particular, how do you view Amtrak's role in community development?

Answer. I view the economic development context in two ways. Direct investment and cooperative ventures associated with Amtrak's service—such as station commercialization projects I have already referred to—represent tangible economic assets which add to the job base of the community and the prosperity of Amtrak.

The less tangible economic development implications—I refer to this as less tangible only because it is more difficult to quantify—is of increasing importance with respect to the quality of our urban areas of all sizes and of the community appeal to prospective industrial or commercial enterprises. Increasingly, quality transportation is becoming viewed as much more than an amenity, but as a vital component of the economic development process.

STATEMENT OF HON. DAN QUAYLE, U.S. SENATOR FROM INDIANA

Mr. Chairman, I am very pleased that the Committee is considering the Honorable Robert D. Orr for nomination to the Board of Directors of the National Railroad Passenger Corporation. Unfortunately, I am unable to attend these hearings as I am out of the Washington area, but I would greatly appreciate your inclusion of my comments in the record of these hearings.

To touch briefly on Governor Orr's experience, he is a native of Indiana and has spent the vast majority of his career in public service. Most recently, Governor Orr serviced as Lieutenant Governor to the Honorable Otis M. Bowen, M.D., who served as the Governor of the State of Indiana between 1972 and 1980.

During this term in office, this country saw the most dramatic restructuring of our rail freight network since the nineteenth century. The State of Indiana dealt with this transition in a most effective and least disruptive manner. Our state is especially reliant on our railroads and the maintenance of that network is a credit to the leadership of Governor Orr.

Indiana is fortunate enough to maintain a substantial amount of Amtrak service, as well as being the headquarters for Amtrak's system maintenance and refurbishing. Amtrak is extremely popular in the State of Indiana and the network provides essential transportation to a relatively large number of Indiana communities. Indiana has lost a great deal of its air service to small communities in recent years and Amtrak, with its consistently improving service, has provided a viable alternative. Efficient transportation systems, as you know, are essential to the economic development of a community and Amtrak service is often one of the primary selling points as Indiana communities attempt to attract new business and industry.

I am confident that Governor Orr's service on the Amtrak Board will be a tremendous asset to the Corporation. His insight and experience will assist Amtrak in its efforts to continue to provide effective rail transportation, while requiring consistently diminishing input of Federal funds.

I certainly hope that the Committee will look favorably on Governor Orr's nomination and expedite, to the greatest extent possible, his confirmation by the U.S. Senate. Thank you for your attention to my comments.

Senator DANFORTH. Thank you very much, Governor Orr.

Senator Lugar, would you like to stay on?

Senator LUGAR. The Governor will be able to handle himself.

Senator DANFORTH. Thank you very much for coming.

Governor ORR. He is a believer in New Federalism, Senator.

Senator DANFORTH. Mr. Luna.

Mr. LUNA. I have had the pleasure and the privilege of being one of the incorporators of Amtrak and have served on every board since that time. I have seen a lot of improvement in Amtrak, but I hope to be around to see it improve more, Mr. Chairman.

[The biographical sketch and answers to questions of the committee follow:]

BIOGRAPHICAL SKETCH OF CHARLES LUNA

Charles Luna, 6826 Vivian Avenue, Dallas, Texas 75223. October 21, 1906; Celeste, Texas.

Married; Opal Lewis Luna. Daughter: Sharlie Ann Guthrie, b. 1/1/33; Son: Dan Luna, b. 12/5/36. Celeste High School, Celeste, Texas, 1923-27, Diploma.

January, 1928—December, 1946, The Sante Fe Railroad, Ft. Worth, Texas, Train Service.

January, 1947—December, 1954, Sante Fe Gulf Lines, Ft. Worth, Texas, General Chairman.

January, 1955—December, 1959, Brotherhood of Railway Trainmen, Cleveland, Ohio, Vice President.

January, 1960—December, 1961, Brotherhood of Railway Trainmen, Cleveland, Ohio, Assistant to the President.

January, 1962—December, 1968, Brotherhood of Railway Trainmen, Cleveland, Ohio, President.

January, 1969—January, 1972, United Transportation Union, Cleveland, Ohio, President.

Names an Incorporator, in 1970, of the National Railroad Passenger Corporation, Named to the Board of Directors, in 1971, of the National Railroad Passenger Corporation by President Nixon; subsequently reappointed by Presidents Ford and Carter in 1974 and 1978, respectively.

Consultant, 1977-1980, United States Railway Association (Labor consultant)

Director, Retiree Program, United Transportation Union, Cleveland Member, Masonic Lodge, Dallas, Texas.

None.

1971 Railroad Man of the Year.
No published writings.

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question 1. Why do you think you are qualified to serve as a member of Amtrak's Board of Directors?

Answer 1. I began a railroad career in 1928 and have been actively associated with railroads ever since. In addition to my extensive railroad experience, I have gained executive and administrative experience while working to form the United Transportation Union and serving as its President until my retirement.

Question 2. You were nominated as a representative of railroad labor. What influence do you think this will have on your dealings as an Amtrak Board member?

Answer 2. My influence will be in understanding the operations of a railroad and interpreting the work rules and being able to explain these to the Board in layment's terms.

Question 3. As an Amtrak Board member, what would you hope to accomplish?

Answer 3. I hope to make Amtrak a better system and reduce the federal subsidies.

Question 4. What do you see as Amtrak's top priorities this year and next?

Answer 4. Top priorities this year and next are reducing federal subsidies and acquiring enough equipment so that Amtrak can add sufficient cars to accommodate passengers during peak periods, operate services on a daily basis and increase mail and express capacity and volume.

Question 5. One of the goals established by the Amtrak Improvement Act of 1981 was the minimization of Federal subsidies through the reduction of management costs and increased employee productivity. What do you think Amtrak is doing or should be doing to ensure that this goal is met?

Answer 5. Amtrak's Board has adopted the following resolution regarding productivity and labor costs.

Resolved, That it is the sense of the Board of Directors to direct management to achieve greater productivity in all facets of corporate operations, particularly with regard to labor agreements being negotiated this year. Any wage increases must be coupled with meaningful reform of existing restrictive working arrangements; it is an imperative to the survival and growth of Amtrak that needlessly expensive crew and craft requirements be eliminated. At the same time, the Board endorses actions to restrain management salary increases and to accomplish necessary personnel reductions through attrition. Taken together, these actions will protect the stability of the national route system during this period of federal budget restraint.

I've always been a strong advocate of improving productivity, so I also would like to see the labor costs broken down so we can see what savings may be obtained.

Question 6. Amtrak is under tremendous pressure from both Congress and the Administration to reduce its labor costs. One of the areas most frequently criticized is traditional work rules, and in particular that work rule that permits some employees to receive a day's pay for every 100 or 150 miles travelled. Amtrak management has raised with Congress the possibility of new train and engine service work rules substantially different from the traditional ones, including the elimination of the above-mentioned work rule governing a day's pay. As a member of the Board, would you support management's efforts to reduce labor costs through such means as adoption of an hourly rate of pay, elimination of "arbitraries" and so on?

Answer 6. I support reducing costs wherever possible, however, I think it is important that before agreeing to certain reductions or changes, that I fully understand what are the cost savings involved. So, before agreeing to something or pushing something in this area, I would want to be fully advised by Amtrak managment or Amtrak staff what savings they think would be involved in any sort of work rule changes.

Question 7. Amtrak management has met with representatives of the United Transportation Union and the Brotherhood of Locomotive Engineers to discuss the possibility of Amtrak's assuming direct employment of rail passenger operating personnel in and outside of the Northeast Corridor. Would you support such a takeover? What role do you expect to play in future discussions in this area?

Answer 7. I advised management over 10 years ago how this could be done. In my several terms on the Board I have never been asked to play a part in any negotiations. I feel that Amtrak now has qualified personnel to handle the negotiations and they have also hired an outside consultant to help. I would help in any way if I am asked to do so.

Question 8. Last October, Amtrak stopped operating the Cardinal after it determined that the train would not met statutory criteria established to govern the performance of all trains. In November, Congress reversed this action in a close vote, and directed Amtrak to start operating the train again. This was the first time that Congress directed the operation of a named train in this fashion. As a Board member, how would you view future directives by Congress to operate the Cardinal or other trains, which fail to meet basic performance criteria? What effect do you think such directives have on Amtrak's ability to operate like other businesses?

Answer 8. Since the start of Amtrak we have followed the directives of Congress. However, a specific Congressional directive such as the Cardinal matter reflects negatively on the Corporation's ability to operate like other businesses because it generally necessitates the reduction or loss of perhaps another service or project viewed by management to be more important. Limited operating and capital funding further restricts the Corporation's ability to operate like other businesses.

Question 9. Are there areas, such as food and beverage service, where you think Amtrak should be permitted greater flexibility in running its business?

Answer 9. Yes. I think good food and beverage service is the best advertisement a long-distance train can have.

Minority Questions and the Answers Thereto

Question 1. In determining Amtrak's future funding, Congress last year debated at length the issue of retaining a national rail passenger network. With the passage of the Amtrak Improvement Act of 1981, Congress reaffirmed its commitment to such a system. If confirmed as an Amtrak Board Member, how would you view your role in ensuring that such a commitment is carried out? What are your views toward Amtrak as an integral part of our transportation network?

Answer 1. I believe Amtrak should be funded separately for the Corridor operation and the long-haul operation and that the costs should be segregated so that a true analysis can be made. I believe the American taxpayers should be given the choice of taking Amtrak, flying or riding the bus, as federal money is used to subsidize all these transportation modes.

Question 2. Just recently Amtrak provided Congress with a performance evaluation report on its operations during fiscal year 1981. This evaluation sets forth important improvements which Amtrak has made in its business performance and the quality of its service, and also the efforts which Amtrak is undertaking in response to the mandates included in the Amtrak Improvement Act of 1981, the most important of which is the attainment of a 50 percent revenue-to-cost ratio in fiscal year 1982. What are your thoughts on how Amtrak can continue this positive trend and ensure attainment of these goals?

Answer 2. I think Amtrak should require the railroads to break down their billings for service so that we can have a better look at each cost item. Also, Amtrak should break down their cost items the same way.

Question 3. The Amtrak legislation passed last year directed Amtrak to use its best business judgment in reducing its Federal subsidy. In this regard, Amtrak is pursuing certain efforts in the area of corporate development so as to increase revenues. How do you view the potential of these efforts? Are there other possible revenue-diversification activities which could be undertaken?

Answer 3. I favor any corporate diversifications that will increase revenues.

Question 4. As part of the discussion of Amtrak's future during last session, much attention was focused on its route configuration, and particularly on the cost and efficiency of long-distance trains. In this regard, the Conference Report accompanying the Amtrak Improvement Act of 1981 specifically states the importance of these routes as an integral part of the Amtrak system. What are your thoughts on this subject? If confirmed as a Board Member, would you pursue any specific ideas for restructuring Amtrak's routes?

Answer 4. I believe the long-distance trains are an integral part of the Amtrak system. In all transportation modes, it is recognized that one of the major costs is that attributable to reservations, ticketing and boarding. Other transportation modes have focused on the long-haul business because these costs are the same for a short-distance traveler while the fares or tariffs generate less revenue.

Question 5. Interest has been shown in the development of high-speed rail passenger corridor and to date several studies have been conducted on this issue. The Amtrak Improvement Act of 1981 requires that Amtrak report to Congress by June 1 of this year on specific corridors to be developed and on a financial plan for such development. To what extent do you believe that this corridor concept should be pursued? How would you propose to integrate such corridors with the current

Amtrak route structure? Do you have any ideas on funding mechanisms which could be explored?

Answer 5. I think the first priority should be in making Amtrak the best passenger transportation system possible. Then, if time and resources allow, the concept of high speed passenger corridors should be pursued. I would propose that such corridors not be integrated with the current Amtrak route structure.

Question 6. Amtrak is currently participating in labor negotiations as part of its effort to realize significant operational savings, as directed by the Amtrak legislation passed last year. Are there certain areas in which you believe changes should be made with respect to labor, and if so, how would you propose to achieve these changes?

Answer 6. An area where changes might be made could begin with a break-out of the labor costs for each craft placing us in a better position to achieve potential savings. Through my years of experience, I have found that if both parties will meet and be honest with each other, an amicable agreement can be reached.

Question 7. The Administration has proposed a fiscal year 1983 budget for Amtrak significantly below the authorization level approved by Congress in the Amtrak Improvement Act of 1981, which is the amount being requested by Amtrak. A major area of disagreement between the Administration and Amtrak on funding appears to be with respect to the capital program. Amtrak seeks a higher level of funding for this area, particularly for certain maintenance projects and for station improvement, which Amtrak believes are important to its future. What capital program would you envision as being appropriate? Are there capital projects which you would like to see pursued or not pursued? In particular, what is your view toward station improvements, which Amtrak hopes would involve state and local funding?

Answer 7. I would totally support a capital program concerned with the acquisition of additional equipment. Passenger cars are needed to allow Amtrak to add additional cars during peak periods; baggage cars are required so that more mail and express can be handled. I believe that station improvement projects are essential to Amtrak's service. During the past ten years I have been in many stations throughout the country and have a firsthand knowledge of the significant amount of work remaining to be done.

Question 8. The Administration also has recommended that the states fund the total costs associated with the operation of train service under Section 403(b) of the Rail Passenger Service Act, the so-called state-supported service, and also the costs of operating the so-called "sunset" commuter trains. What is your view of this proposal? What should be the appropriate state and local contribution to rail passenger service?

Answer 8. I think any 403(b) service should be funded totally by the State. I think the so-called "sunset" commuter trains should be operated by the commuter agencies. State and local authorities definitely should contribute in the areas of grade crossing improvements, maintenance, and separation of grades where necessary. I further believe Amtrak should be afforded the same considerations states and cities give airports.

Question 9. You have had much experience with the development of Amtrak, having served on the Amtrak Board for some years prior to the passage of the Amtrak legislation last session. What is your view of the progress which Amtrak has made over the last couple of years? To what do you attribute its improvements? If confirmed as a Board Member, what efforts would you initiate to further this trend?

Answer 9. I believe Amtrak has made substantial improvements over the past few years and attribute this to the acquisition of decent equipment and more employees with railroad experience in higher positions in the organization. I think further service improvements can be made by scheduling better connections and running all trains daily so that Amtrak can get more mail contracts.

Question 10. You have held important positions representing rail labor over the years. Given your impressive background in this area, how would you, as the labor representative on the Board, perceive your role as Amtrak proceeds with its labor negotiations? Specifically in view of your experience as a rail employee and as a labor negotiator, what recommendations would you make in this regard?

Answer 10. It has been my experience that the Board sets policy to be carried out by management. The Board adopted a labor policy in 1981 and unanimously reaffirmed this policy at the Board meeting on March 28, 1982.

Resolved, That it is the sense of the Board of Directors to direct management to achieve greater productivity in all facets of corporate operations, particularly with regard to labor agreements being negotiated this year. Any wage increases must be coupled with meaningful reform of existing restrictive working arrangements; it is

an imperative to the survival and growth of Amtrak that needlessly expensive crew and craft requirements be eliminated. At the same time, the Board endorses actions to restrain management salary increases and to accomplish necessary personnel reductions through attrition. Taken together, these actions will protect the stability of the national route system during this period of federal budget restraint.

I believe the Corporation has able negotiators and, I understand, the help of an outside consultant to carry on the negotiation process. If it were deemed useful, however, I would willingly serve as a liaison between labor and management. I have never refused to help in any way when I have been asked.

STATEMENT OF HON. JOHN TOWER, U.S. SENATOR FROM TEXAS

Mr. Chairman, it is an honor and distinct pleasure to introduce to the Senate Committee on Commerce, Science, and Transportation today Mr. Charles Luna, nominee for the Board of Directors of the National Railroad Passenger Corporation for a term of four years.

Mr. Luna is a Texan and an avid railway supporter. I have personally observed his leadership in the rail industry on behalf of railway workers in the last decade. His strong advocacy for Amtrak, since its inception, is well-known among all involved with rail passenger transportation.

Mr. Luna's leading role in this field is evidenced by his service as RAILPAX incorporator, chairman of the board, United Transportation Union Insurance Association. He became president of the United Transportation Union on January 1, 1969. In October, 1969, he was elected vice president and a member of the executive council of the AFL–CIO. On January 1, 1970, he became chairman, Congress of Railway Unions.

Senator DANFORTH. Succinctly put.

Mr. Rowland.

Mr. ROWLAND. Mr. Chairman, those are two tough acts to follow. I am a self-employed commodity trader from New York who has had a lifelong interest in passenger rail transportation, and I am honored to have been nominated by the President to serve on the Amtrak Board.

I concur with the Governor and with Mr. Luna that Amtrak has an important place to serve in the future of the transportation industry in this country. I think that through the wisdom of the Congress, we, the American people, have made a $3 billion plus investment in the corporation, and we now have reliable equipment. I think the training level of our employees has improved markedly in the 11 years of Amtrak's existence. And I think the future for the corporation is an exciting one and I see it playing an increasingly important role in the total national transportation picture.

[The biographical sketch and answers to questions of the committee follow:]

BIOGRAPHICAL SKETCH OF ROSS E. ROWLAND, JR.

Ross E. Rowland, Jr., Roundtop Road, Bernardsville, New Jersey 07924, Albany, New York. July 11, 1940.

Married. Doris Elizabeth Lakin; Catherine Dawn Rowland—17 years; James Mark Rowland—16 years; Joseph Brian Rowland—13 years.

Cranford High School, Cranford, N.J. 1953–58.

Newark Preparatory School, Newark, N.J., (N.J. State High School Equivalency Diploma), 1958–59.

Union Junior College, Cranford, N J., 1960–62.

September 1, 1966–Present—Floor Broker Associates, 4 World Trade Center, New York, New York 10048. Commodity Futures Floor Broker and Senior Partner.

February 5, 1963–August 30, 1966—Merrill Lynch Pierce Fenner & Smith, Inc., 79 Pine St., New York, New York. Commodity Futures Trading Advisor.

January 1, 1961–February 4, 1963—L. J. Cohen & Co., 81 Broad Street, New York, New York. Partner.

June 5, 1958–January 1, 1961—C. M. Lovatt & Co., 81 Broad Street, New York, New York, Clerk.

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Served as member of President Reagan's transition advisory team on the matter of the Federal Railroad Administration. Attended several meetings and helped in drafting the report to the President. No other government experience or involvements.

Member: Benevolent and Protective Order of Elks, Lodge No. 1068, Somerville, New Jersey.

Chairman: Commodity Exchange Center Children's Fund.

Member: New York Commodity Exchange, Inc.

Member: New York Cotton Exchange, Inc.

Member: New York Coffee & Sugar Exchange, Inc.

Member: New York Mercantile Exchange.

Member: National Railway Historical Society.

Member: National Association of Railroad Passengers.

Member: American Association of Private Railroad Car Owners, Inc.

Member: Antique Car Collectors of America, Inc.

Member: 1979–82 National Republican Senatorial Trust.

Member: Commencing 1982. Republican Eagles.

Made campaign contributions to: Jeff Bell; Senators Dole, Kansas; Hatch, Utah; Heinz, Pa; Warner, Va; D'Amato, NY. Also contributed to Senator Baker's Presidential campaign, and President Reagan's Presidential campaign.

Honorary Life Member: American Legion.

Honorary Life Member: Brotherhood of Locomotive Engineers.

American Legion Bill of Rights Gold Medal—1975.

Great American Achievements Award, Bicentennial Council of the Thirteen Original States—1977.

Distinguished Service Award from the Jaycees—1975.

United Jewish Appeal Humanitarian Award—1977.

None.

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question 1. Why do you think you are qualified to serve as a member of Amtrak's Board of Directors?

Answer 1. I believe that my extensive experience in conceiving, financing and operating many nationwide special railroad events has given me an understanding of the practical problems facing Amtrak in its attempt to run a reliable nationwide passenger system. In addition, I believe that my twenty plus years of organizing and running a variety of successful commercial enterprises is valid testimony to my business ability. I believe that I can help as an Amtrak Board member in improving the financial performance of the corporation.

Question 2. You were nominated as a representative of business. What influence do you think this will have on your dealings as an Amtrak Board member?

Answer 2. It is my opinion that a viable, properly run national railroad passenger network is in the interest of the American business community and that as a representative of that community, I will endeavor to properly represent their interests on the Board.

Question 3. As an Amtrak Board member, what would you hope to accomplish?

Answer 3. As an Amtrak Board member, I hope to be helpful in assisting management in increasing the productivity of our employees, both on train and off train, and also in its dealings with the Congress, particularly in the area of showing the members of Congress the important progress Amtrak has made in such areas as equipment upgrading, right-of-way improvements, employee training, on-time reliability, etc.

Question 4. What do you see as Amtrak's top priorities this year and next?

Answer 4. I see the following to be Amtrak's top priorities this year and next:

a. To encourage the Congress to begin thinking of Amtrak funding in a multi-year framework so as to allow the corporation the ability to set long-term goals with the knowledge that the funding to accomplish them will be there.

b. To improve our service reliability from its present annual average as measured by on-time trains from 80 percent to 85 percent.

c. To increase our revenue-to-cost ratio to at least 50 percent.

d. To do everything possible to dramatically increase the amount of U.S. mail carried on our daily long-distance trains.

e. To materially improve the quality of food service on our long-distance trains.

Question 5. Last October, Amtrak stopped operating the Cardinal after it determined that the train would not meet statutory criteria established to govern the

performance of all trains. In November, Congress reversed this action in a close vote, and directed Amtrak to start operating the train again. This was the first time that Congress directed the operation of a named train in this fashion. As a Board member, how would you view future directives by Congress to operate the Cardinal or other trains, which fail to meet basic performance criteria? What effect do you think such directives have on Amtrak's ability to operate like other businesses?

Answer 5. The Congress established minimum performance criteria for the continued operation of all trains. The Cardinal did not meet that criteria and was, therefore, discontinued. I believe that the performance criteria established by the Congress is meaningful and should be observed.

Question 6. One of the goals established by the Amtrak Improvement Act of 1981 was to encourage the private sector to share the costs of operating rail passenger service, including the costs of operating stations. What do you think Amtrak is doing or should be doing to ensure that this goal is met?

Answer 6. I think that the premise as contained in the Amtrak Improvement Act of 1981 to encourage the private sector is a valid goal, and, particularly in the area of station refurbishing and maintenance, should be attainable. Not yet being confirmed as a Board member, I am not of knowledge as to what we have been doing in this area.

Question 7. You have founded and operated three separate companies involved in railroad transportation. Were these profit-making enterprises? If so, are there any activities or experiences gained from running these enterprises that can be used to improve Amtrak's revenue-to-cost ratio?

Answer 7. The three companies that I founded and operated were essentially historical preservation endeavors. However, over the past 17 years of their operation they have taught me many lessons which I think will allow me to make a valuable contribution as an Amtrak Board member. Some examples are:

a. A belief on my part that the vast majority of railroad employees want to be proud of the enterprise that they are a part of, and, if properly approached, I think will allow us to vastly increase our productivity. As labor is our number one cost, any forward strides in this area will make a most meaningful contribution to improving the corporation's fiscal performance.

b. I think that on-time performance is an extremely important part of building greater ridership in the future as I believe that word of mouth is our most powerful advertising tool. Having had extensive personal experience in the operation of trains, I think I can make a meaningful contribution as a Board member in helping management improve our on-time performance.

c. As a frequent user of the company's services, I think I will bring to the Board a customer's perspective which also should help improve our product.

Question 8. While serving as a member of the President's transition team for the Federal Railroad Administration, did you make any recommendations on Amtrak? If so, what were those recommendations?

Answer 8. While serving as a member of the President's transition team for the Federal Railroad Administration, I was not involved in any Amtrak policy discussions.

Question 9. Are there areas, such as food and beverage service, where you think Amtrak should be permitted greater flexibility?

Answer 9. I think that Amtrak should be given the management flexibility to operate the company as it sees fit within certain basic performance criteria provided for by the Congress. The legislation which mandated that food and beverage service be operated on a break-even basis, while perhaps well meaning, has proven to be an extreme hardship on the corporation and unless changed, will prove to have devastating long-term effects on our growth and ridership. I think you can envision the reaction of most consumers contemplating a two or three day journey on one of our long-distance trains, if he is told that he will be expected to survive on poor quality airline type fare. I think the Congress has to realize that running this corporation is a major endeavor, and that it would be far better to devise realistic fiscal parameters and then allow management to do its job.

Minority Questions and the Answers Thereto

Question 1. In determining Amtrak's future funding, Congress last year debated at length the issue of retaining a national rail passenger network. With the passage of the Amtrak Improvement Act of 1981, Congress reaffirmed its commitment to such a system. If confirmed as an Amtrak Board Member, how would you view your role in ensuring that such a commitment is carried out? What are your views toward Amtrak as an integral part of our transportation network?

Answer 1. As an Amtrak Board member, I will do everything possible to assist the corporation in meeting or exceeding the goals set for it by the Congress. With my many years of practical railroad operating experience, I believe I can bring to the Board a businessman's overview of what is achievable and what is not. I believe that we as a nation desperately need a long-term national transportation policy which hopefully would make the best use, both in terms of energy, environmental considerations, strategic national considerations, and total fiscal responsibility, of each of the major modes of transportation. I think that the passenger train has a definite contribution to make in a national sense and that its role deserves to be preserved and improved by the Congress. However, I think that you recognize the extreme difficulty management has in structuring and operating the corporation when its future is limited to a year-to-year proposition. I think it is extremely important that if we cannot achieve a broad, long-term, national blueprint, that an attempt be made by the Congress to give Amtrak some long-term viability so that it can properly plan its future.

Question 2. Just recently Amtrak provided Congress with a performance evaluation report on its operations during fiscal year 1981. This evaluation sets forth important improvements which Amtrak has made in its business performance and the quality of its service, and also the efforts which Amtrak is undertaking in response to the mandates included in the Amtrak Improvement Act of 1981, the most important of which is the attainment of a 50 percent revenue-to-cost ratio in fiscal year 1982. What are your thoughts on how Amtrak can continue this positive trend and ensure attainment of these goals?

Answer 2. I think that the important strides made by the corporation in 1981 can be continued, and I believe that the 50 percent revenue-to-cost ratio is attainable. I think that the two most important areas in meeting this goal are: (1) an improvement in our labor productivity, and (2) a continuing increase in our ridership.

Question 3. The Amtrak legislation passed last year directed Amtrak to use its best business judgment in reducing its Federal subsidy. In this regard, Amtrak is pursuing certain efforts in the area of corporate development so as to increase revenues. How do you view the potential of these efforts? Are there other possible revenue-diversification activities which could be undertaken?

Answer 3. I think that it makes eminent good sense for Amtrak to make every effort in using its resources to increase revenue and thus decrease the Federal subsidy need, where this can be done not to the disadvantaged of the primary mission, which is to run on-time, well-equipped, properly-maintained, and properly-manned passenger trains. I think the areas that hold the greatest future potential for increasing revenues are joint ventures and the development of air rights over and adjacent to Amtrak station facilities, and increasing the amount of United States mail carried on our daily long-distance trains.

Question 4. As part of the discussion of Amtrak's future during last session, much attention was focused on its route configuration, and particularly on the cost and efficiency of long-distance trains. In this regard, the Conference Report accompanying the Amtrak Improvement Act of 1981 specifically states the importance of these routes as an integral part of the Amtrak system. What are your thoughts on this subject? If confirmed as a Board Member, would you pursue any specific ideas for restructuring Amtrak's routes?

Answer 4. I believe that as Amtrak's financial benefactor, it must remain the role of the Congress to determine the basic criteria for the route structure of the corporation. I dare say, there is not a town, village or city in these vast contiguous 48 states that would not welcome Amtrak service into its community. However, we all realize that for both fiscal and practical reasons, this is impossible. Therefore, until and unless the corporation is truly self-sufficient, I believe that those providing the financial wherewithal should be the ones that determines the criteria for the route structure. As a Board member, I would certainly encourage the introduction of service into those new areas where we felt strongly the demand would warrant the expense.

Question 5. Interest has been shown in the development of high-speed rail passenger corridor and to date several studies have been conducted on this issue. The Amtrak Improvement Act of 1981 requires that Amtrak report to Congress by June 1 of this year on specific corridors to be developed and on a financial plan for such development. To what extent do you believe that this corridor concept should be pursued? How would you propose to integrate such corridors with the current Amtrak route structure? Do you have any ideas on funding mechanisms which could be explored?

Answer 5. I believe that the recently announced American High Speed Rail Corporation project, which, if funded from the private sector, will operate between Los

Angeles and San Diego, is very possibly a portend for the future. I certainly would encourage the continued interest of the private sector and would hope that this first endeavor proves profitable enough to encourage many others. As far as integrating this type of high-speed special service project into the present Amtrak route structure, I think that we should make every attempt to connect, where practical, at either or both ends with our long-distance trains for the convenience of those wishing to travel beyond the immediate corridor service. As to ideas on funding, I think it can be done far better in the private sector (assuming the return on investment is there) than further involving the Government.

Question 6. Amtrak is currently participating in labor negotiations as part of its effort to realize significant operational savings, as directed by the Amtrak legislation passed last year. Are there certain areas in which you believe changes should be made with respect to labor, and if so, how would you propose to achieve these changes?

Answer 6. I believe that the corporation can and should achieve significant changes in the present work rules governing our employees. I also believe that if properly approached, we can make significant strides in this area. However, I think it is very important for the Congress to understand that the operating Brotherhoods have been now working under the present rules for six generations and any meaningful change is going to take understanding and patience on both sides. Is it true that we currently pay most of our operating employees a day's pay for less than a day's work? In my opinion, yes. Remember that the current rules go back to the 1800's to the days of hand-fired locomotives, manual block system signals, no radio communication and other factors which made 100 miles travel a day's work. Working conditions and the equipment available today to accomplish the same job have vastly improved. The basic work rules have not. I think if the Brotherhoods can be shown that by contributing to a significant increase in their members' productivity that they are not only saving for the future the jobs presently at stake, but very likely creating the climate for more jobs on the horizon, that they will cooperate. It is not possible in this short statement to go into specific changes as these must be accomplished by management representatives and the employee representatives involved, but I believe on a systemwide basis, we should be able to shoot for a substantial improvement in employee productivity.

Question 7. The Administration has proposed a fiscal year 1983 budget for Amtrak significantly below the authorization level approved by Congress in the Amtrak Improvement Act of 1981, which is the amount being requested by Amtrak. A major area of disagreement between the administration and Amtrak on funding appears to be with respect to the capital program. Amtrak seeks a higher level of funding for this area, particularly for certain maintenance projects and for station improvement, which Amtrak believes are important to its future. What capital program would you envision as being appropriate? Are there capital projects which you would like to see pursued or not pursued? In particular, what is your view toward station impovements, which Amtrak hopes would involve state and local funding?

Answer 7. This is a complex question and not yet being a Board member, I frankly have not been privy to all of the facts and figures. I would, however, like to make a general statement regarding capital programs, particularly in the area of maintenance. I feel, as a citizen of this country, that we, through the wisdom of the Congress have made a $3 billion dollar investment in this corporation to secure new, comfortable, reliable rolling stock and to upgrade the northeast corridor track structure so as to allow comfortable high-speed passenger train operation. I think it would be fiscally ludicrous at this juncture to shortchange the corporation to the extent that this equipment and this fine railroad be allowed to deteriorate as it was prior to Amtrak. I think the Congress has to "bite the bullet" and make a decision. If it wants a national passenger rail transportation facility, then it has got to be willing, within reason, to provide the funds to operate that system properly. If, in its wisdom, the cost of doing so exceeds the benefit, then let's shut it down. The worse thing we could do in my opinion is to shortchange it, keep it running, and have it deteriorate. I think much can be done in the future years to encourage state and local participation in areas such as station refurbishing, parking lot construction, etc., and I think this area should be encouraged and worked on by staff.

Question 8. The Administration also has recommended that the states the fund the total costs associated with the operation of train service under Section 403(b) of the Rail Passenger Service Act, the so-called state-supported service, and also the costs of operating the so-called "sunset" commuter trains. What is your view of this proposal? What should be the appropriate state and local contribution to rail passenger service?

Answer 8. I feel, philosophically, that the Section 403(b) trains should be largely, if not totally, funded by the states that want their operation. However, in an attempt to view the situation with some political pragmatism, I question the ability of the corporation and/or the Congress, particularly in the current recession to get much willingness from the states to do so. It is my view that Amtrak should not be in the commuter business whatsoever, as I think this is properly the responsibility of the local communities.

Question 9. Your past activities indicate a genuine interest in the rail industry and its role in our society. Your background also indicates ties to the present administration, which in the past two years has recommended reduced funding levels for Amtrak and has raised doubts about retaining the current Amtrak system. If confirmed as a Board Member, how would you reconcile your views on the rail industry with the position which the Administration has taken with respect to Amtrak?

Answer 9. I believe that it is properly the role of the Congress, as I have stated in earlier questions, to determine the desirability and the extent of the national railroad passenger system considered desirable for this nation. I believe that the Administration in the last eighteen months has modified its view of that desirability and is now in a position where they will support a national railroad passenger capability, providing that important strides are made in reducing the Federal subsidy and, hopefully, some day, getting the corporation to where it might stand on its own two feet. If confirmed as a Board member, I shall view my primary responsibility as seeing that the taxpayers get the greatest value possible for their investment in this endeavor.

Question 10. You have significant experience with the business community and financial transactions. As the representative of business interests on the Board, how would you propose to secure non-Federal, particularly private, involvement in and funding of rail passenger service?

Answer 10. I think that the recently announced American High Speed Rail Corporation project which proposes to construct and operate a high-speed service from Los Angeles to San Diego, financed entirely from the private sector, is the best of examples as to how the business community can get involved in improving rail passenger transportation. Assuming they are successful in acquiring the $2 billion dollar funding needed, it will be most important to watch the fiscal performance of this enterprise. If it does, in fact, show a pre-tax return as predicted in the 20 percent per annum area, I think it could well prove to be the forerunner of many other such corridor projects.

Senator DANFORTH. You all seem very positive and optimistic about the future of Amtrak. You feel that it has a continuing role to play in the future of passenger transportation in the United States. There are those who would say that Amtrak's days are behind it. They say that Amtrak, if it is going to continue at all, should continue as a regional rail service in high density areas such as the Northeast corridor. But as a national system, it is just too expensive to maintain.

I take it that none of you would agree with that?

Governor ORR. Correct.

Mr. ROWLAND. That's correct.

Mr. LUNA. Correct.

Senator DANFORTH. The last time I looked, the average passenger subsidy for Amtrak was approximately $30.

Mr. ROWLAND. That is correct.

Senator DANFORTH. That is the figure now?

Mr. ROWLAND. I believe it is $39.

Senator DANFORTH. $39 per person, and that goes up to, as I recall, approximately $120 per person on some of the routes. Do you have any sense of a rule of thumb as to what the limitations should be, if any, on the subsidy, or is no price too high to pay for rail passenger service?

Governor ORR. Well, obviously the answer to that question has to be that that is the function of a board of directors of Amtrak to try

to make the best possible appraisal of where that line should be drawn. It must be done in my opinion so as to be able to reinforce the degree of enthusiasm which I believe the country is now beginning to have in a rather strong way toward the continuation of rail passenger service, but they do not want it to be something which is overly subsidized.

I think there is a point of view prevailing, as I read it, within the organization of Amtrak and certainly in Congress to make sure that Amtrak operates as efficiently as it can and that the reduction of subsidy is continued. And I believe we can accomplish that. I would not be wanting to be of assistance to Amtrak if I did not think that there could be a continuing improvement.

Senator DANFORTH. But you think we could be pointing toward a reduction in the subsidy, not an increase in the subsidy?

Governor ORR. Yes, sir. I believe that is the case and I believe that a higher degree of efficiency and competency, as well as the fact that there is now a great deal of new equipment in use, which is obviously likely to be more efficient, I think there will be an improvement in those figures.

Senator DANFORTH. Do you agree, gentlemen?

Mr. ROWLAND. Well, Mr. Chairman, if I may, I think it is unfair to Amtrak and has been since its inception. In the Congress I think you all often end up comparing apples and oranges. In other words, each year Amtrak comes to the Hill, or did until the last Congress, to seek its annual infusion of funds to live for another year, and the press and everybody talks about $500 million, $600 million, $700 million to run the national system, and we divide that out into the number of people carried and we come up with a figure of $30 odd per person, et cetera, which is a true figure.

However, we do not in the same sense, it seems to me, evaluate how much money, and we do not call them in most cases subsidies, that we put into the airports, into the air traffic control system, into the highways, et cetera. And it seems to me that if those figures were in turn correlated to the airline passengers in true form, that the Amtrak subsidy would not look as horrendous as it does when you or I say that we are subsidizing each passenger on a long-distance train $38 per head.

So I do think there is some unfairness in the way we compare subsidies or entitlements or all the other terms that go with it.

I agree with the Governor that there is no question, now that this country has made a multibillion-dollar investment, through the wisdom of the Congress, in this system, that we can and we will, as Board members, do our utmost to improve the efficiency of the Corporation, fiscally and otherwise, which if we are successful, obviously will reduce the subsidy per passenger, the total need for subsidy, et cetera.

I think, though, it is a long-term proposition, and the Congress should be patient and not expect dramatic changes from one year to the next. But I think we can make important progress.

Mr. LUNA. I have watched this subsidy that you are talking about, and a lot of things are being charged in this subsidy that in my opinion should not have been. We inherited or bought a fleet of cars and engines that were 30 and 40 years old. A lot of that has been the Northeast corridor project, which cost the greater part of

that money. And now is the first time since Amtrak started that it has had a fleet less than 10 years old. And if you go back and check the records, it was costing more to operate the old fleet than it was to spend the money for new equipment. And I think we are at a point now where the improvement should be made.

We still have a long way to go in some of the depots and some of the accommodations that people are entitled to.

Senator DANFORTH. I want to ask you each one question. Clearly, and we saw this in connection with the Cardinal, there is tremendous political support for trains going everywhere. And arguments can be marshaled for maintaining any train.

Will you, as members of the Amtrak Board, indicate to the Congress your best judgment as to the feasibility and economics of maintaining specific lines, instead of just giving in to every demand and request that is made? Will you just call them as you see them, and if it is indicated that some of these lines are just political boondoggles, pork barrel operations, will you say so?

That is going to be tough for you, Governor, because you are there as a representative of the Governors. And I know; I have dealt with Governors and they have taken the position why we absolutely cannot lose this line. People are going to be energy conscious, and before you know it, they are going to be standing in long lines to get on the trains. You get that kind of comment all the time from Governors who just want to justify their particular lines.

Will you be willing to just say "Look, this is ridiculous"?

Governor ORR. Yes, I will, Senator. Let me make a point, maybe two points. No. 1, I come from a point of view which some years ago had a great deal of skepticism about the future of Amtrak for the very reasons that you state. I know what it is like to be on the point and have to make a decision which runs counter to a popular point of view.

However, I think that a difference, and this is the second point, that prevails at this juncture in our history, is that a great many of us are having to make decisions today which may be politically unpopular from the standpoint of a segment of the population, but from the point of view of the total population in whatever the jurisdiction may be is regarded as being the right decision because it evidences a concern for the taxpayer, for the public pocketbook.

And I think those decisions for Amtrak are going to have to be made on that basis. There will be communities—indeed, the Cardinal happens to proceed through Indiana, and there are communities within the State that will speak to the point that you voiced, but I think it is part of my responsibility to look the facts squarely in the eye and reach a conclusion for the 60 counties out of 92 in Indiana that may be looking at and questioning seriously whether a given line ought to continue.

Mr. ROWLAND. Mr. Chairman, at the risk of oversimplification, in the last Congress you all, among other things regarding Amtrak, created a very clear performance criteria for each train, and you instructed management, if I am correct in my memory, that those trains that did not meet the financial criteria should not be run.

Now the Cardinal, as you are well aware, was one of the, if you will allow me to use the language, worst examples of a train that

should not have run, financially. And therefore, in my opinion, the Corporation did the proper thing and took it off. The Congress instructed, after lengthy debate, the Corporation to reinstate the train.

Now it is my opinion, as a prospective Board member, that without the funding of the U.S. Government, there would not be an Amtrak. And if the Congress in its wisdom sets criteria that must be met by each train, then I say observe that criteria and do not change them.

Mr. LUNA. The only time I have been off the Board was when that happened. I was on the Board when first handled, we pulled it off. I was in there when we pulled it off, but I was not on the Board when they put it on.

I too agree with the two gentlemen ahead of me about the criteria, but I do know what happened in this individual case. The criteria that they used the rideship figures were 5 months old. The criteria at the time it was pulled off was above what they had met. I know that.

Now something should be done to bring us up to date and make them use current figures and the same criteria on all of them. And I am a firm believer that if you have a criteria, it applies to everything, not just a few.

Senator DANFORTH. Do you believe we should be considering the relative subsidies of competing transportation modes? You specifically referred to that, Mr. Rowland. It would seem to me that the competing transportation modes for surface transportation would be intercity buses and rail. Do you think we should be considering the relative subsidies?

Mr. ROWLAND. I am not sure I understand the question, Mr. Chairman.

Senator DANFORTH. Well, the Federal Government, as you pointed out in an earlier comment, subsidizes various modes of transportation. Should we attempt to compare what those subsidies are and bring them into alinement?

Mr. ROWLAND. I think it is one of the most important criteria that the Congress, I would think, would want to have in considering future Amtrak appropriations—aviation expenditures, highway expenditures, yes.

Now maybe that criteria already exists.

Senator DANFORTH. I do not think there is anything in the ballpark with Amtrak. We do not subsidize buses, to my knowledge.

Mr. ROWLAND. That is again, with all due respect, Mr. Chairman, the buses, the long distance buses, which are Amtrak's competition, essentially use the interstate highway system, which we as taxpayers built and to a large extent maintain.

Senator DANFORTH. Through a fuel tax. I think that they were exempted as part of the windfall profits tax, as I recall.

Mr. ROWLAND. I am not knowledgable about that.

Senator DANFORTH. The purpose of that was to try to encourage people to use buses, to try to encourage fuel economy.

Mr. ROWLAND. Right. There is no question that it seems to me that among the criteria that Congress has considered and should continue to consider regarding all forms of transportation is energy efficiency, potential strategic considerations in time of mobiliza-

tion, the needs of the people. Obviously, politics is always going to play a part of it in Congress.

As you said before, there is not a town, city or village in the United States in the 48 contiguous States, I do not think, that has a railroad running through it that would not love to have an Amtrak train. That is an obvious fact. But obviously, we cannot serve everybody.

Senator DANFORTH. Well, I think Amtrak is a wonderfully quaint system and it is part of the heritage of all of us. When we were kids, we rode trains. But it seems to me that there has to be some limitation, some reasonable limitation to what this country can afford to spend for quaintness, at a time when the national debt exceeds $1 trillion. And I would hope that you would be tough minded and ask the hard questions and really make sure that we have a program which does not just have a sky's the limit subsidy for everybody who wants an Amtrak train.

Mr. ROWLAND. I would like to briefly, Mr. Chairman, in my several weeks of getting to know the staff over at Amtrak, I can report to you sincerely that I have seen, witnessed, a genuine determination on the part of senior management to get this corporation on as solid a fiscal footing and cut the fat out wherever it exists, and I believe there is that dedication and I can assure you in my case, and I think I can speak for the Governor and Charlie, that we intend to encourage and continue that direction.

Senator DANFORTH. Gentlemen, thank you very much. Senator Quayle has indicated that he wanted to be here and could not be here. He will be submitting a statement for the record in support of Governor Orr. And the same is true with respect to Senator Tower. He will be submitting a statement on behalf of Mr. Luna.

Thank you very much. That concludes the hearing.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned.]

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